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January 30, 2001

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: Phase II Reply Comments, CC Dockets No. 00-199

2000 Biennial Regulatory Review  
Comprehensive Review of the Accounting  
Requirements and ARMIS Reporting  
Requirements for Incumbent Local Exchange  
Carriers: Phase 2 and Phase 3

Dear Ms. Salas,

Enclosed for filing by ALLTEL Communications, Inc. are an original and four copies of its Reply Comments in Phase II of the referenced proceeding. Should there be any questions regarding this matter, please contact the undersigned counsel.

Sincerely,

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CC: Ms. Ernestine Creech  
Comments on Diskette

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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, DC 20554

**JAN 30 2001**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

In the Matter of )  
2000 Biennial Regulatory Review )  
Comprehensive Review of the )  
Accounting Requirements and )  
ARMIS Reporting Requirements for )  
Incumbent Local Exchange Carriers )  
Phase 2 and Phase 3 )

**CC Docket No. 00-199**

**Phase 2**

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**Reply Comments of  
ALLTEL Communications, Inc.**

ALLTEL Communications, Inc., formerly ALLTEL Communications Services Corporation, on behalf of its local exchange carrier affiliates (hereinafter "ALLTEL" or the "ALLTEL Companies") respectfully submits it reply to the comments filed on December 21, 2000, in the above referenced proceeding.

**Introduction**

In its Notice of Proposed Rulemaking (NPRM), the Commission has continued to look at accounting and reporting reform measures that could be implemented in the near term for mid-sized and other ILECs. Moreover, it has continued to recognize the different needs of the mid-sized companies. NPRM par. 80. Its reform proposals are predicated on the Commission's prior conclusion that it could maintain the necessary degree of oversight and monitoring to protect consumer interests while imposing the less administratively burdensome requirements on mid-sized carriers. Ibid.

In its earlier comments, ALLTEL commended the Commission for its on-going consideration of rule changes to reflect the intent of the 96 Act and to reduce regulatory burdens on the mid-sized ILECs. Nevertheless, as pointed out in those comments, however meritorious the Commission's intent in proposing regulatory relief for mid-sized companies, shortcomings exist in its approach. There needs to be meaningful regulatory relief for mid-sized ILECs-- i.e., true Class B carrier status. ALLTEL comments pgs. 3-4. One of the ways to achieve this involves a revision of the definition of a "mid-sized ILEC." A revised definition should incorporate both a revenues test as well as the "two percent" standard established legislatively in the 96 Telecom Act and endorsed by the House in HR 3850. Thus, under the first part of the revised test, all ILECs that are part of holding companies with fewer than two percent of the access lines installed in the aggregate nationwide would be classified as Class B carriers. Under the alternative revenues test, an ILEC would be classified as a Class B carrier if the revenues of all its ILEC affiliates were less than 7 billion dollars annually, as adjusted annually for inflation. ALLTEL comments pgs. 4-5 and ITTA comments pgs. 12-17.

Adoption of such a revised threshold test would eliminate the mid-sized ILECs' current obligation to file a CAM, the accompanying attestation, as well as the obligation to file ARMIS. It would not, however, eliminate the need for them to comply with the Commission's accounting, cost allocation, separations, and other applicable rules contained in Parts 32, 36, 43, and 64.

**No Discernible Public Interest Benefit Exists From Withholding True Class B Treatment For The Mid-Sized Companies.**

A majority of the parties supported some form of regulatory relief for the mid-sized carriers, particularly as it relates to increasing the current revenue threshold that triggers CAM and ARMIS reporting requirements. Certain other parties opposed any change in the status quo, claiming that the Commission has already done enough for the mid-sized ILECs. However, some of the state regulators, while supporting an increase in the current revenue threshold, expressed concern with respect to the elimination of all or some ARMIS reporting. Nevertheless, it does not appear that the state regulators all use or rely on all of the ARMIS reports filed by the mid-sized ILECs. Rather, their assertions regarding the need for ARMIS reporting by the mid-sized ILECs appears to be based largely on generalizations rather than documented needs. Also, certain of the ARMIS data filed by the mid-sized ILECs appears duplicative of that already required to be filed in the state jurisdictions. While ALLTEL appreciates the concern expressed by some of the state regulators that necessary data be available on a timely basis, we believe that individual state needs can be addressed by carriers at the state level and without the perpetuation of costly and administratively burdensome ARMIS filings by the mid-sized ILECS.

In ALLTEL's view, no party has advanced a cogent basis for denying the mid-sized carriers true Class B carrier treatment. The parties opposing any change in the status quo or seeking to impose new reporting requirements on the mid-sized ILECs have missed the point. The Commission is under an obligation to regulate in the public interest and to adopt rules that implement reporting requirements necessary to achieve

that objective. Further, the Commission is required by the 96 Telecom Act to evaluate on a biennial basis the continued necessity of its rules. In the instant rulemaking, the Commission is not proposing to maintain the status quo; rather, it has sought to determine how much change is needed in order for it to regulate in the public interest and, at the same time, to eliminate unnecessary regulatory burdens on the mid-sized companies.

The regulatory reform that the mid-sized ILECs have advocated--true Class B carrier status--is regulatory reform at a level consistent with their position in the industry. The mid-sized ILECs that file CAM and ARMIS stand in marked contrast--both in terms of their percentage of net revenues and access lines--to the larger Class A ILECs. According to reported ARMIS data for the year ended 12/31/99, the mid-sized ILECs filing ARMIS account for less than 7% of the Nation's access lines as well as less than 7% of net operating revenues. In the case of the five ALLTEL Companies currently required to file CAM and ARMIS, the percentages drop off even more. They account for less than 0.78% of net operating revenues and 0.72% of switched access lines. These percentages underscore the fact that it makes little sense for the Commission to continue to require mid-sized ILECs to incur the costs and administrative burdens associated with CAM and ARMIS filings.

As noted above, the Commission has previously recognized that mid-sized carriers are different. It was on this basis that it earlier adopted and continues to propose to adopt certain regulatory reform measures for the mid-sized ILECs. The rule changes adopted in CC Dkts 98-81 and 98-117 permitted mid-sized ILECs meeting the revenue threshold test to report on a Class B level with respect to their CAM and

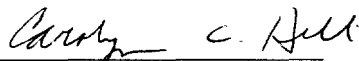
ARMIS filings. However, this does not change the fact that these mid-sized ILECs continue to be classified as Class A carriers and that they continue to be subject to the regulatory burden of maintaining all of the 261 Class A accounts.

It is also important to consider that parties, such as AT&T and MCI who argue that rule changes would be "wholly inappropriate" or that the FCC has already "streamlined accounting and regulatory burdens enough for mid-sized ILECs " are not subject to these same requirements in their similar business ventures. Objections of this nature should not be allowed to obscure the fact that the maintenance of a CAM, the revisions to that CAM, the required attestation of that CAM and the requirement to maintain and file ARMIS reports on a yearly basis all come at a cost and that cost is borne by the rate payers of the mid-sized company in the jurisdiction covered by its specific CAM or ARMIS report. These are not insignificant dollars, especially when consideration is given to the fact that the mid-sized ILECs have fewer access lines across which to spread these costs. For example, Roseville Telephone Company estimates that it would cost approximately \$272,00 annually or over \$2.00 per access line for it to submit its initial ARMIS filing. Furthermore, it estimates the cost of the CAM attestation will be \$225,000. Roseville comments pgs. 4-5. Iowa Telecom, a new entrant, estimates its costs associated with the reporting requirements to exceed \$185,000 annually. Iowa Telecom comments, p. 4. Citizens Communications, as pointed out in the ITTA's comments, incurred costs of approximately \$1,836,438 to submit its ARMIS reports last year. This represents a cost of approximately \$ 1.83 per access line per year. Id. at page 20.

**Conclusion**

ALLTEL and others have demonstrated that the public interest will be served by the adopted of rule changes that implement true Class B carrier treatment of the mid-sized ILECs. In view of the upcoming accounting cycle and the attendant costs, ALLTEL encourages the Commission to implement promptly Class B carrier treatment of the mid-sized ILECs.

Respectfully submitted,  
ALLTEL Communications, Inc.

By:   
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Dated: January 30, 2001

Certificate of Service

I, Payquith White, hereby certify that I have on this 30th day of January 2001, served on the foregoing Reply Comments of ALLTEL Communications, Inc. (formerly ALLTEL Communications Services Corporation) via, unless otherwise indicated, United States mail, postage pre-paid on the following parties:

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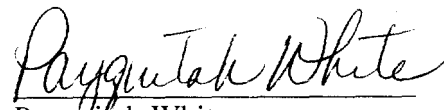
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